

# *The* Management REVIEW



**MAY, 1941**

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**COMMENT • DIGEST • REVIEW**

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## **THE AMERICAN MANAGEMENT ASSOCIATION**

The American Management Association is composed of industrial and commercial companies and executives interested in modern management. The AMA makes no profit, does no lobbying, and advances no propaganda. Its interests are solely the solution of current business problems.

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# CONTENTS

MAY, 1941

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## The Management REVIEW

Current Comment .....	158
By WILLIAM L. BATT	
The Management Index	
Can We Hold Our Pan-American Trade? .....	165
Forbes	
Yardsticks for Office Output.....	169
NOMA Forum	
New Jobs for Women Workers.....	171
Barron's	
Executives for Tomorrow.....	173
Executives Service Bulletin	
The Age of Electronics.....	175
Modern Industry	
Shift Operation Under Defense Conditions .....	178
Studies in Personnel Policy	
When Salesmen Are Drafted.....	179
Printers' Ink	
Practice in Accounting for Depreciation .....	183
N.A.C.A. Bulletin	
Dangers in Self-Insurance .....	185
Credit and Financial Management	
And Others	
The Management Question Box.....	188
Survey of Books for Executives	
Middle Management: <i>The Job of the Junior Administrator</i> .....	191
Reviewed by Chester I. Barnard	
Labor and National Defense.....	192
The Art of Practical Thinking.....	193
Reviewed by Donald K. Beckley	
Marketing Policies .....	194
Reviewed by Albert Haring	
And Others	

May, 1941

ACCORDING to some observers, the increasing pressure of the defense program will leave the United States with a skilled-labor shortage for many years to come—despite the “forced draft” training that is now going on. Where are the additional workers coming from? Apparently from our female population.

Travelers returning from abroad recently have expressed amazement at the extent to which women are performing rigorous tasks in European factories. One Spitfire airplane factory in England is manned 50 per cent by women, it is reported, “who work with pictures of favorite movie stars on the walls.”

In the United States the trend toward wider employment of women in factory work is under way. In certain industries, such as electrical machinery, glass, pottery, and hardware, there was a faster increase in employment of women than of men from the spring of 1939 to the spring of 1940. See page 171 (New Jobs for Women Workers).

IN THE battle of the vitamins, don't overlook that little number known as B<sub>1</sub>. It has been a trailer in the vitamin parade for a long time, but now it is coming into its own. A noted scientist holds that a lack of B<sub>1</sub> may underlie the wave of industrial strikes that is holding back production. Many workers may be led to make unreasonable demands, this authority points out, because of the inadequacy of B<sub>1</sub> in their diets. And, he adds, “paunchy industrialists” are probably irritable because of a similar deficiency. More about B<sub>1</sub> on page 167 (Strikes and Vitamins).

WHAT'S the right policy on customer service? Should a phone company give the correct time without charge? How far ought a department store go on the “cash-and-carry” idea? For some fresh ideas on the knotty “service problem,” see page 181 (What Is Sensible Service?).

157

# Current Comment

## "WITHOUT CURTAILING REGULAR PRODUCTION"

By **WILLIAM L. BATT\***

Deputy Director, Production Division  
Office of Production Management

IN opening these remarks I should like to dispose of two questions that are frequently asked by companies interested in defense production. The first of these questions is: "Do union plants receive preference in the award of government contracts?" While the answer to this is "no," I do not want to dismiss the matter so summarily. I believe that plants with good labor relations should, where possible, be given special consideration.

A second question commonly voiced is: "How can we aid your committee"—and note these last four words—"without curtailing regular production?" First let me say in answer to this question that machinery is being set up through the agencies of the Federal Reserve districts of the country (under a division of the defense organization called Defense Contract Service) whose particular business it will be to take advantage of all idle machining time in plants that have equipment which can in any way be fitted into the defense program. When that organization is fully established, I think this question can be more specifically answered. In the meantime, companies that desire to put their idle facilities to work should get in touch with the nearest Ordnance District, where something constructive can be said.

I want to dwell for a moment on the concluding phrase of this second question which has provided me with a theme for these remarks—"without curtailing regular production." When I have finished, if I have not convinced you that this is an unrealistic question I shall have wasted your time and mine.

Since last June the people of the United States have been engaged in a great effort. Some of us have known it was a great effort, but as a nation we have not fully understood its significance. Much of the time we have been behaving as though we did not comprehend it at all.

This is not to say, of course, that real progress has not been made—because it has. On the whole, within the limitations of time, and considering the condition in which we started, a good job has been done, though it has not been nearly good enough. Many of us have been naive about the cost and magnitude of what we were committed to do. Indeed, almost all of us have made this mistake. We have assumed that because we are the greatest

\* Mr. Batt, who is also president of SKF Industries, Inc., Philadelphia, and Chairman of the Board of the American Management Association, presented this address at the recent AMA Marketing Conference.



industrial nation on earth we could do the job easily—that we could have our cake and eat it too; that we could build an adequate defense and furnish enough aid to England in our spare time. Industry is not without blame. Like almost everybody else, it has reacted with an almost adolescent enthusiasm—laudable, to be sure, but not in accord with the facts. We have said that nothing is too much for us to undertake, and we have assumed it can be done easily.

But I think we are now beginning to feel, all of us, the cold dawn of a more realistic understanding of what this is all about. We are apprehensive that we may be heading into something the seriousness of which we had not properly appreciated. We are beginning to have a vague sense of what this may mean in terms of hours of work—long, hard work and sacrifice. We are starting to feel the pinch of raw-material shortages. Many of us are confronted with the need for more skilled labor and do not quite see how to obtain it. Many have felt the pinch of taxes and, if one heeds the newspapers of the last few mornings, many more of us will feel that pinch. Indeed, I think the word “pinch” is probably inadequate.

#### Implications of the Lend-Lease Bill

This would have been completely true if the task were no more than it had been before passage of the Lend-Lease Bill. But we are now asked to do very much more, and within the same time limits—limits which are unknown to us but which are pressing us so hard that no time seems short enough for the job to which we are committed. As a nation, through the passage of the Lend-Lease Bill, we are going to have to take stock anew, assess the requirements as clearly as we can, and decide what we are going to do about them.

I think most of us realize that the months ahead are critical ones—critical to Britain and to us. This is a crucial period for management, for capital and labor—crucial for democracy, for freedom everywhere, and for our own political future for a long time to come. More is demanded of us today than has ever been demanded before. And it is probably the unfortunate fact that industry will be held largely to blame if we do not come through—not alone management, but management and labor. In this connection, it has been gratifying to me to observe public reaction to the labor question in the last few weeks.

Industry must do much more than it has ever done before—much more than we conceive. And it must do it voluntarily. It must achieve voluntarily much more than the Dictators think us capable of, else it is possible that the opportunity to accomplish things voluntarily may be lost forever. We are now committed to pooling our resources, our efforts, our talents in one gigantic forward drive to greater and greater production. Each of us will have to do his share—immediately, enthusiastically, without waiting to discover whether the other fellow is doing his part. I emphasize this because it is a natural inclination not to do more than our competitor does if it involves the sacrifice of our civilian business.

I think we are going to undertake this task, because this is part of the response, as I see it, to the demand of an aroused nation. Public opinion is in no mood for compromise, and I believe the public will have little sym-

pathy for the half-hearted, the greedy or the timid. Industry must and will take the lead in setting an example of efficiency, speed, sacrifice, in devotion to the common cause. That will be true not only of big business but of small business as well.

I think when the history of American industry in this crisis is written, it will give particular credit to big business because it will have measured up to this obligation in remarkable fashion. But small industry must take its part, too, because it has a share in the responsibility and a stake in the outcome.

#### **Problems of the Aftermath**

I do not want to gloss over the problems of the aftermath of this emergency. I realize that an over-expansion now will leave us with a serious situation on our hands when the emergency is ended. We have lived through many years of over-production in many lines and we know what it means. But, at the same time, I must say that I do not believe that apprehension should have any part in the manner in which we prepare ourselves to do this job as quickly as possible.

We have seen very vividly what happened to England when she tried to wage a cheap war, as she did for the first nine months of this war. Certainly none of us likes that prospect. So I say that an aftermath of readjustment, of lost markets, is of little consequence today compared with the possible loss of this battle of production. It is a battle primarily to insure the continuation of free enterprise, practiced by a free people, in a free nation, with a free economy. And fear of the aftermath of a period of over-expansion must be replaced by confidence that as a nation we can do what is necessary to orient ourselves when the emergency is over; that we can win that battle of readjustment just as we can win this battle of production—and not only win it, but win it in such a way that industry will be better off than before.

This may be too optimistic. Some of you may say that the events of the last years afford no basis for that hope; but I do not know how we shall face the future if we face it without hope.

I said at the outset that a good job of production had been done, and I want to emphasize this. The machine-tool industry in the years 1935-1939 averaged approximately \$100,000,000 of sales annually. In 1939 it turned out \$200,000,000, and in 1940 \$400,000,000. In 1941 the output of this industry will be in the neighborhood of \$700,000,000. This is a remarkable increase in productivity, and one for which management is to be congratulated. And yet today we do not have enough machinery—not nearly enough in many lines.

A year ago we were making 200 large engines a month for our aircraft. Today we are turning out approximately 2,500 a month—a twelvefold increase in a twelve-month period. And yet that figure should be more than doubled.

The new airplane engine plants—Ford, Studebaker, Packard, Buick—will cost thirty to forty million dollars each, and will be in production within a year from the time the contracts were awarded. This is a remarkable record. A thousand airplanes a month in January will be two thousand and

more in another twelve months, and four thousand monthly a year after that.

Huge tanks, of which we have had no production, will be coming off the assembly lines in substantial quantities in the next three months. Recently the American Locomotive Company in Schenectady put its first high-speed medium tank—and by medium I mean approximately 30 tons—on the road. This week the Baldwin Locomotive Works and Chrysler will put out their first tanks. Those who are familiar with manufacturing problems will realize from this that substantial quantities will be coming off the lines before long.

Now, these tanks are not glorified trucks. The transmission of one tank alone weighs 7,600 pounds. This tank will be capable of carrying heavy armament, a 75-millimeter anti-tank gun, and a variety of lesser-size cannon and machine guns. It will be practically a moving fort and will move at the rate of 30 miles an hour.

That is a notable production record—but still nothing can be too much. Machine guns, anti-aircraft guns, ammunition production, are coming along in what we would normally call excellent fashion. But remember that before the outbreak of this emergency the principal producer of machine guns felt he had a good year if he turned out 500 guns annually. Today he is being tooled up for 5,000 a month. The ammunition requirements for this huge production of machine guns, anti-aircraft guns and the like are stupendous. If you could fire a 50-caliber machine gun steadily for an hour, the cost of the ammunition for that gun would be \$5,050. A four-barrel three-inch anti-aircraft mount could burn up \$131,000 worth of ammunition if it could be fired steadily for one hour. We have as yet little conception of the magnitude of the program on which we have embarked.

And so, when I say a good job has been done, I am measuring it by normal production standards. You must realize that each day, each week, is crucial; and 100 of these tanks such as we shall shortly be turning out in one week might be altering the course of history in Europe today. One hundred more airplanes today of the heavy-bomber type located at a strategic point might completely turn the tables.

The Budd Company took 15 months to retool its Detroit plant and produce the first million heavy howitzer shells. The next million will come off in two months.

We are now pretty well through with the tooling program. Shipways are going up by the dozens, because we want to double the Navy. We intend to turn out a stream of cargo ships, and obviously we want to get the supplies that we are building to England as fast as we can. But do not lose sight of the fact that, at the present rate of sinkings, 300 cargo ships would last only a few weeks.

#### Germany's Resources

Germany had a long start. In 1934, when she began her defense program in earnest, she was spending, as nearly as I can ascertain, about a third of her national income for armament. At the outbreak of the war she was spending half of her national income for this purpose. We contemplate our aid to Britain, which has been minute beside this appalling figure, with a satisfaction that is totally unwarranted by the facts.

Now, to what Germany had, she has of course added the resources of the occupied countries. She has the machinery, raw materials, the cultivated

acres of the countries she has conquered. She has obtained more steel from the little Duchy of Luxembourg than we have furnished to England. The shipyards of Denmark have been working for her night and day. She has seized the factories of Belgium, Holland and France. France is today paying more for the costs of occupation than she paid to maintain her own war at the outset.

What is our objective? Well, if I understand what we have committed ourselves to, our objective is to give England sufficient material to enable her to win this war—in other words, enough steel, airplanes, shells, guns, etc., to enable her to surpass Germany's production. We are far from that point today.

Our Chief of Staff, General Marshall, has estimated that for us to provide defense approximately equal to that of Germany would require an expenditure of about one hundred billion dollars, in terms of our wages and material costs. And we have in fact committed ourselves to the production of aid for England which shall *exceed* Germany's resources.

On this basis we should be producing at least twenty billion dollars' worth of defense goods a year; the schedule which has resulted from our own defense efforts and the Lend-Lease Bill commitments now made and about to be made totals forty-four billion dollars for the years 1941 and '42. If any of you are dismayed by the present limit of the national debt at sixty-five billions, I suggest that you set another level considerably higher, at which your worries might more realistically begin.

#### The Transition to Wartime Economy

The size of this job, of course, involves a profound readjustment of many activities. That is why I have characterized as unrealistic the phrase "without curtailing regular production." I am convinced that regular production in many instances will have to be seriously curtailed, particularly those productive activities which supply the non-essentials of civilian life.

The day of "business as usual" has passed. Anything that interferes with defense must wait. We have lost a great deal of precious time while we have been making up our minds what we wanted to do. But, if we accept the findings of the public poll, we have now decided that we are going to give England all the help she can use. We cannot afford to waste much more time in doing it.

We shall have many conflicts with the concepts of peacetime economy. There will, of course, be an abnormal emphasis on durable goods and particularly those new kinds of durable goods which we have had no experience in producing, and which we shall not need in normal times—guns, airplanes, shells, bombs, magnesium flares, etc. And if we achieve a national income of ninety to a hundred billion dollars, as many of us envision, we shall of course have developed a tremendous purchasing power. But many of the things which people will want to buy will be unavailable. The recent cut of 20 per cent in automobile output is a very significant and statesman-like decision on the part of a great industry. I think similar decisions will be made, primarily, of course, in those industries in which there may be a shortage of materials, of skilled labor, or of machinery.

I want to go on record as saying that I wholly approve of the actions of

Mr. Henderson of the Office of Price Administration in placing a ceiling on prices which threaten to get out of hand. Most of us will recall what occurred in the last war with respect to cost of living, prices of materials, etc. But I do not think you can indefinitely limit the selling price of a commodity without at the same time assuming a responsibility for the factors that comprise the cost of that commodity. Consider, for example, labor costs. I believe that when labor begins to push its price up it should be as fully accountable to the Office of Price Administration as are we who set the selling prices. I can say that with impunity because I am a friend of labor and perceive with regret that certain unwise and selfish labor leadership has attempted to capitalize on this emergency.

#### Labor and Public Opinion

It is therefore with particular satisfaction that I look toward what I believe will be the inevitable reaction of the public. The public is not going to permit management to capitalize on this emergency—that I am sure of. And I do not believe the public will allow any other section of the economy to capitalize on the emergency, once it understands the facts. It does not now understand the facts. A part of management's job is to let the man on the street see that, in the main, wages have risen faster than the cost of living.

According to the Bureau of Labor Statistics, since the outbreak of the war in September of 1939 the cost of living has gone up 2.2 per cent. The hourly wage rates in the durable industries have risen 9 per cent, and in the non-durable industries a little over 6 per cent. According to the National Industrial Conference Board, 25 selected manufacturing industries show an increase in real wages of 35 per cent from the beginning of 1938 to the end of February, 1941. Thus, in many instances labor has done pretty well out of the business that has resulted from the emergency. We must depend upon the public to insist that labor shall not take an unfair and unreasonable advantage of the opportunity which it has. I think it is inevitable that business and government will work more closely together than they ever have in the past.

Many of us are involved in the matter of priorities. I shall not take time to discuss priorities except to say that I believe we shall witness an increasing use of the priorities power of government. I think this is essential, and I deem it equally essential that we should not wait until the supply situation becomes critically tight before we invoke priorities, for the reason that part of our material shortages results from unnecessary and unreasonable material accumulations. It is perfectly natural for those of us who are running a business, if we notice certain materials becoming somewhat tight and believe that the prices of those materials are not likely to decrease, to accumulate all we can of whatever we think we may need in the next year or two against an emergency. Of course, that contributes directly to the creation of an emergency; thus I am anxious to see the Priorities Division step into any areas in which there is possibility of a shortage in the next year or two, and exercise such control as may be necessary to prevent unreasonable accumulations.

The use of substitutes, of course, must be encouraged, though there is



always the risk of jumping from the frying pan into the fire. A friend of mine who is a large cigarette manufacturer called me up last summer and asked me whether I thought he should substitute aluminum for tinfoil in the packaging of his cigarettes. At that time it seemed as though we should have more aluminum than we could possibly use. Since the situation in the Far East was uncertain, I said to him with a few reservations, "I think on the whole you would be a little safer if you changed to aluminum." He has reminded me several times since that this was very poor advice.

Thus shortages appear, as naturally we must expect them to appear if too many people swing over to a commodity of which there apparently is plenty in order to relieve a shortage in some other line.

#### **Need of Repair Facilities**

The question of freezing new models is something concerning which I could do nothing more than hazard a few guesses. Certainly it seems to me such a program would build up our need for better repair services. In many lines we have paid little attention to repair facilities because we merely discard old models. But now, if we have to keep them, or if there is no new model which tempts us to make a change, we may be more interested in repairing and rebuilding than we have been in the past. I suspect we shall seek harder than ever before for simple developments and improvements which do not call for new machinery or too much toolroom labor. Certainly I know that this emergency will necessitate a greater degree of resourcefulness than we have had to show, and there will be a premium on the sales manager who knows how to do something besides sell. I do not have to remind you that in many fields there will be no problem of selling. We shall have to do a better management job than we have ever done before, because most of us have thought our job very well done if we brought the orders in and let those on the inside worry about them. It is not going to do any good today, in many instances, to bring an order in unless it has some relationship to the defense program. So we may find ourselves to a greater and greater degree in the situation in which I found myself in the last war, when there was nothing for me to sell and I became an expeditor and a steel-chaser. That is one way to help production.

I urgently suggest to sales departments, particularly in the critical industries, that they try so far as possible to see that their customers order only what they actually need. A good management job can be done by the sales organization in reconciling the wants of the customer with available productive capacity.

Where a plant cannot undertake defense work, its management will face a great many problems of readjustment that will require judgment, vision and imagination. I am convinced that the future holds greater difficulties—not less. I am convinced that the call for business statesmanship will be more imperative as we become increasingly involved in the tragic affairs of this mad world.

To me the future is dark—dark and unhappy. The only thing I can do from day to day is to pray for guidance, with a sincere belief that by thinking clearly and acting vigorously we shall come through the darkness into the light.



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# THE MANAGEMENT INDEX

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## *General Management*

### Can We Hold Our Pan-American Trade?

**P**OPULAR impression is that North American business men are rank amateurs in foreign trade, constantly losing business in South America to competitors, especially the clever Germans. Yet, everywhere in South America, the manufactured products of the United States dominate the market. Paris garters support Argentinian socks; all the way from Sao Paulo around to Lima, you can get Kellogg's Corn Flakes, Shredded Wheat or Quaker Oats for breakfast.

In 1938, German high-pressure sales methods were presumably at their peak of efficiency. In that year, our sales to the 20 Latin American republics exceeded the *combined* sales of Germany, Great Britain and Japan. Exclude Central America, where we are overwhelmingly in the lead, and our exports to South America still exceeded Germany's by 50 per cent.

In six years of desperate Nazi effort, German exports increased 15 per cent. In the same years, ours had

increased 84 per cent, and to South America, 162 per cent. What is more, four-fifths of our South American trade was not in raw materials but in fully manufactured goods, just the category in which we meet the Germans head-on.

Nor do these figures tell the whole story. One of the most impressive developments in Latin America is the growth of great branch factories where United States firms manufacture, or complete the manufacture of, their goods. The output of these plants does not get into export-import statistics, but does effectively close the market for European imports.

The question is not, as it is so often put, can we capture South American trade? The real question is, can we hold it in a postwar world, should we be faced with the competition of goods made under an economy where labor costs are State-controlled?

We do not now compete on price; our goods, by and large, are even now more expensive than German goods, and still we outsell them. There are

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German-made sewing machines that sell for one-half the price of American-made (and Italian and Japanese makes that are cheaper still), but, from Panama to Patagonia, it is conservative to say that three-fourths of all sewing machines in use are Singers.

From the very outset, the North American manufacturer's ideal has been to create a product so good that it would sell even when competing goods were cheaper, identify it with a brand name, and create a demand for it by advertising. In the main, he has succeeded brilliantly.

There are more than 200 products of United States origin which are advertised widely in South America. Even before the war, there were fewer than 50 British and German products advertised thus.

Quality of German goods, never too high, deteriorated sharply in the years just before the war. It was then that the Nazi government was forcing German industry to produce goods as fast as possible and get them to market at any price that would provide foreign exchange.

All up and down the continent one hears stories of recently installed German machines proving defective, of electric fans wearing out in a few months. These are not cheap, unbranded goods, but the produce of the famous Siemens-Schukert factory. It will be years before this fine old German concern can regain its reputation for dependable products.

The American salesman abroad is the most favored of his profession. He sells a product with which the retailer

is familiar and for which there is a steady demand. He looks on the merchandise he sells with respect and affection. He is frequently a highly trained technical expert. If he is selling a machine, he can operate it and, if necessary, repair it. In a great many cases, his only competitors are other Americans. This is true of motor cars, of much office equipment, of electric refrigerators.

Compared to the American salesman, the German salesman is like the old-fashioned peddler who used to tramp the country roads with a pack on his back.

German factories are not in competition with us except in a very few lines. But with each year that passes, they are confronted with a growing competition in the form of rapidly developing local industries.

There are thousands of big and little establishments throughout Latin America—most of them new—making just the kind of cheap consumer goods on which German and, to a lesser extent, Japanese trade has thrived in the past. These native products embrace varied lines such as cheap hardware, knitted goods, cotton cloth, glassware, porcelain, toys and aluminum ware.

Many of the factories require small investment and do not demand a high technical skill. The products come within the low-quality and low-price range for which there is practically no demand in the United States. Price considered, they are better than the German and Japanese products, and over each of them has been placed the umbrella of a high protective tariff.

The successful operation of this rapidly growing number of factories raises local standards of living, adds to the number of the middle class, and so creates additional customers for the quality products of the United States.

It is only when they run into a government-controlled economy of one sort or another that the American manufacturer and salesman have to admit defeat, and during the past few years there has been a lot of that.

In one country after another, they have been faced by import control, exchange permits, blocked currencies, and barter deals. Germany has actively promoted these deals as a means of securing new products without the payment of cash and also to force the purchase of German goods.

But even more complete develop-

ment of the forced-trade system need not destroy our trade in South America or anywhere else. All that we would have to do would be to adopt the same tactics ourselves, insist that all countries from which we make purchases take payment in our products—just as Germany has done and, to a lesser extent, Great Britain.

Our manufacturers and exporters have done a good job in the export field. They have introduced into foreign trade the principle of selling on quality rather than price. They have made our goods pre-eminent in the South American market. No matter by what export methods a triumphant Germany might challenge us, we'd be on solid ground in meeting the challenge. BY CARL CROW. *Forbes*, April 15, 1941, p. 14:4.

### *Strikes and Vitamins*

WHILE the entire vitamin family has been doing nicely for several years, the spectacular rise of B<sub>1</sub> is the most fascinating phase of the whole phenomenon. Couple of years back, B was a mere hanger-on in the vitamin parade, an ugly duckling among its sisters. It trailed not only D, but lagged far behind A and C as well.

The emergence from obscurity has occurred at blinding pace. It reached a climax of some sort at the spring baseball training camps. There, in the pursuit of the booming base hit, the fast double play, the hop on the fast one, players are being handed daily dosages of B<sub>1</sub> pills. Indeed, this year's pennant races may well be reckoned in International Units instead of percentages.

Comes now a potential B<sub>1</sub> role of far greater national significance. Dr. Russell Morse Wilder, of the Mayo Clinic, advances the thesis that vitamin deficiency may underlie the wave of strikes which throttle industrial production. "I suspect," says Dr. Wilder, "that many workers are led to make unreasonable demands because of the inadequacy of vitamin B<sub>1</sub> in their diet." He adds that, at the other end of the capital-labor strife, "paunchy industrialists" are probably irritable because of similar deficiency. In dieting to shed excess suet, they don't get enough B<sub>1</sub> either.

Seems worth trying, at least. Who knows what juices of reconciliation might flow if the opposing parties in a strike situation were brought together at a B<sub>1</sub> banquet of asparagus soup, pork chops, spinach, whole wheat bread, peanut butter and a bowl of prunes for dessert?

—*Printers' Ink* 4/11/41

## ***X-Ray Eyes for Industry***

**S**TRIVING for greater reliability and fewer costly errors, industry, through the use of the X-ray, has found a way to see inside its products. Placed side by side, two manufactured articles may appear to be identical. But the penetrating X-ray shows up clearly the defects of one, the perfection of the other.

The X-ray camera and the fluoroscope have invaded a dozen fields. Aviation has taken the guesswork out of airplane construction through the use of the X-ray. In one plant alone, 45,000 parts are X-rayed each month, from the vital structures of the engine to the latch on the plane's cabin door. No part which has passed the X-ray test has ever proved faulty in use.

An X-ray machine disclosed a broken light bulb which had fallen into a salt barrel in a large creamery where glass had been found in the butter. Through the use of the X-ray device, one major problem which plagues food manufacturers, that of foreign substances in their products, has been largely eliminated.

In scores of other fields the X-ray camera plays a part in solving industry's problems. It inspects oranges for defects, potatoes for black heart. Pearls in oysters are discovered through its use, and simulated pearls are easily told from the real gems. Golf balls with off-center cores are quickly detected. Insulation on electric cables is rigorously checked. Telephone instruments are inspected by X-ray before they are installed. X-rays are boosting sales in many shoe stores which insure a correct fit by X-raying the customer's foot.

—NORMAN V. CARLISLE in *Nation's Business* 5/41

## ***Women's Contribution to Family Support***

**T**HE usual place of the woman wage earner in the family economy can be more accurately determined than ever before through a series of studies of family incomes made by the United States Bureau of Labor Statistics and the Bureau of Home Economics. Reports to date show considerable numbers of women as the principal earners of their families, "principal" defined as the one member bringing in the largest sum to buy the daily bread (not necessarily the customary "head" of the family). The surveys also show that many women are the sole wage earners in their families.

Of all employed women reported in a sample of 131,000 complete families, 21 per cent (5,500) were principal earners; almost 3,300 of these chief earners were wives. Women principal earners were concentrated most largely in families in the clerical field, while men who were principal earners were more often in wage-earning families.

Others besides the chief earner contributed to the income in nearly a fourth of the complete families reported. These supplementary earners were found in a larger proportion of the wage earners' and clerical workers' families than of those in business and the professions. Just over half of them were women. The wife was a supplementary earner in nearly 11,500 families, more than a third of all that had additional wage earners. Over three-fifths of the families in which the wife added to the family earnings had less than \$2,000 in the year; more than one-eighth lived on less than \$1,000.

Little detail is given regarding incomplete families, those lacking either the husband or the wife or both, though it is in these that a woman's contribution is often the greatest.

—*The Woman Worker* 3/41

# Office Management

## Yardsticks for Office Output

**H**OW can an office manager determine whether he is getting a full day's work from each employee? How can he ascertain that the work is properly distributed among the employees? How can he determine whether he has too many or too few employees?

There are many jobs in an organization for which it is difficult to find a measuring stick — e.g., supervisory work, research, and consultation work. But there are many other routine jobs on which production can be measured and standards of output established. Some of the jobs falling into the latter class are:

- Typing orders
- Pricing and filing sales tickets
- Transcribing dictation
- Posting to customers' accounts receivable ledgers
- Calculating, extending and verifying invoices
- Handling customers' remittances
- Key-punching and verifying tabulating cards
- Issuing purchase orders
- Posting stock records

This article describes the methods used by Standard Oil Co. of Pennsylvania to measure output in various clerical activities. Two specific office tasks are considered here:

### 1. *Handling customers' direct-mail remittances*

First, all incoming mail is sorted.

A rubber-stamp impression is then made on the back of each remittance envelope, with spaces to show:

1. Amount of currency
2. Amount of check or money order
3. Control or attest number
4. Date received

The top of each envelope is cut with a cutting machine at the rate of approximately 250 envelopes per minute. The ends of the envelopes are then slit with letter-openers by hand. One experienced clerk can sort and open approximately 2,000 envelopes in an hour.

The checks and other enclosures are then removed from the envelopes and time-stamped. *General* mail received with remittances is routed to the proper department. The slit envelope is treated as a remittance paper because it shows the remitter's name and the mailing date. On the average, one clerk can open 525 envelopes and remove the enclosed papers in one hour.

Next, the amount of remittance is written on the remittance paper by hand in ink. At this point, notations on checks identifying them as "paid in full," paying specific items, or "post-dated" are transferred to the remittance papers.

Attest numbers are then applied with a hand-numbering machine. Each check or other remittance, and the envelope in which it was received, is given the same number.



An adding-machine tape, in duplicate, is run of the checks, and a separate tape is run of the amounts as listed on the remittance papers. These tapes are headed up to show type of remittance, also the first and last attest number. The two tapes must balance before the checks and remittance papers are released from the mail room.

The remittance papers are sorted according to accounts receivable ledgers and then delivered to the proper accounts receivable ledger clerks. The checks and the original adding-machine tapes are delivered direct to the cashier, who prepares the deposit and the cash journal. The duplicates of the tapes are delivered to the auditor or attest clerk, who prepares a daily attest report and checks to see that all remittances received are properly accounted for.

Production for this job is measured by the attest numbers used while the work is being done.

## 2. *Transcribing dictation*

In measuring output of its central

stenographic department, this company is guided by the number of dictated cylinders transcribed per day. It is recognized, of course, that the same number of cylinders will not always contain the same number of letters or lines, and that some cylinders are more difficult to transcribe than others.

Since cylinders are transcribed in the order in which they are received, no one stenographer is assigned to transcribe any particular dictator's cylinders. Consequently, over a period of time, the average number of cylinders transcribed by any operator, compared with the number transcribed by the most experienced and efficient operators, provides a fairly good idea of her output.

Work sheets are kept showing the number of cylinders transcribed by each operator daily. Occasionally surveys are made and lines counted, but this method is not employed regularly because of the time involved. The average operator transcribes 11 cylinders per day, equal to about 78 letters. By W. D. HALL. *NOMA Forum*, February, 1941, p. 22:5.

## *Want to Save Money on Letterheads?*

**F**ORCE of habit leads most of us to think in terms of 2,500, 5,000 or 10,000 letterheads when we order. These odd numbers mean waste for the printer, because they require uneven cutting of a ream or carton of packaged paper. Ordered in even units of 2,000, 4,000, 6,000, 12,000, etc., there should result a saving to the printer which he should be willing to pass on to you. You might take this matter up with your source of letterheads and see what can be done. Thanks to Writing Paper Manufacturers Association for this tip.

—Dartnell Sales Service



## Personnel

### New Jobs for Women Workers

ONE phenomenon of the war abroad has been the extent to which European women have been recruited for jobs formerly the province of men.

Some French fighter planes were being produced entirely by women just before the armistice, reports the Industrial Commissioner of New York State. One Spitfire airplane factory in England is manned 50 per cent by women, who work with pictures of favorite movie stars on the walls.

Both in England and in Germany women work as truck drivers and railway conductors. Both countries conscript young women for work, to release available manpower for the armed forces or for more highly skilled work. Despite Hitler's pre-war declarations that women belonged in the home, one-third of all German workers are women.

In the United States, where the shortage is not so much of manpower as of skilled labor, women have not gone into booming defense industries to the same extent. In airplane factories, for instance, they are generally used for sewing or dopping airplane fabrics or for making certain inspections of engine parts. The great majority of workers are men.

Nevertheless, there was a faster increase in employment of women than of men in certain industries—in electrical machinery and supplies, glass

pottery, hardware and a few others—from the spring of 1939 to the spring of 1940, according to the Department of Labor's Women's Bureau. Since then, conscription of men and the rising demand for skilled men workers in defense industries have no doubt increased the demand for women workers, particularly in semi-skilled fields.

Even in a defense industry like cartridge- and shell-making, women now operate punch presses, assemble primers to shells on dial presses, and run machines for shell drawing cups.

The National Women's Trade Union League of America reports: "A new government munitions plant now being built not far from Cleveland expects to take on a force including some 2,500 women. At the Frankford Arsenal in Philadelphia, women are wrapping and packing shells, and working at huge precision machines as inspectors of shell cases.

"In the Chrysler plant, women are examining metals through a spectroscope. . . . In instrument factories, women are assembling parts with riveting presses, automatic screw-drivers, soldering and electric spot-welding. In machine-tool plants, women are wrapping and winding coils. In one plant, women are found more efficient than men at driving and controlling overhead cranes. A Connecticut local of the International Association of Machinists lately reported admission of

women to the union for the first time. Foot- and power-press operation and bench work are their chief occupations."

The number of available women workers for speeding defense production is estimated at nearly two millions; and of the 373,000 women registered at employment agencies for defense industry work, three-fourths are said to have the necessary skills.

It is admitted, however, that women generally lack shop training, experience in blueprint reading, and technical background for many defense industries. Also, women's lack of strength and stamina disqualifies them for such strenuous work as shipbuilding, which needs from 200,000 to 300,-

000 workers to expand to new contemplated capacity.

But certain types of work are done particularly well by women. Women are excellent at work requiring care and constant alertness, good eyesight, and the use of light tools such as gages and micrometers. They are also efficient at work requiring manipulative dexterity and speed. However, they cannot work so long as men; they work best at jobs if seated; and they require more safety equipment on machines. The trend toward simplification of work routines by the use of more highly automatic machines would tend to favor the employment of women in semi-skilled defense jobs. *Baron's*, April 21, 1941, p. 5:1.

### *Incentives in Apprentice Training*

**A** PROBLEM commonly faced by men responsible for conducting apprenticeship courses is how to establish an incentive which will encourage apprentices to put forward their best effort, not merely to "get by." Here is one solution which has proved effective in a large metalworking company whose employees are unionized:

The normal hourly rates of both mechanical-trades apprentices and drafting apprentices are automatically raised every six months during their four-year apprenticeship. The former begin at 49c an hour, and by the end of their course are receiving 84c; the latter begin at 51c, and finish their apprenticeship at 89c.

Apprentices are graded on both classroom and shop work (the relative weights of which are 1 to 2) and are assigned either "A," "B" or "C" rankings. An apprentice whose grade for a year is "B" receives a two-week time credit—i.e., completes that year's training in 50 rather than 52 weeks. His rate thus is adjusted upward two weeks sooner than if he had a "C" grade. A man with an "A" ranking receives a six-week time credit for each year during which he earns an "A" ranking.

Upon completion of the apprenticeship course, each man's starting wage varies with the four-year average of his rankings. A graduate apprentice in the mechanical trades whose four-year average has been "C" receives a wage of 87c; a man with a four-year average of "B," 91c; a man with a four-year average of "A," 97c. Draftsmen apprentice graduates whose four-year average has been "A" receive a starting wage of \$1.02; "B," 96c; and "C," 92c. During recent years, about 60% of all apprentices have received a grade of "B," about 20% have received "C," and 20% "A."

—*The Conference Board Management Record* 4/41

## Executives for Tomorrow

**R**ECRUITING of college graduates is now a customary procedure of many companies. It is not unusual for representatives of 15 to 20 companies to interview a prospective graduate during his senior year.

The Firestone Tire & Rubber Company, of Akron, O., has been recruiting an average of about 90 college graduates a year for the past 16 years. This firm makes contacts with about 40 schools each year, selecting those that are the most cooperative and from which its experience records the most success in locating the right type of prospects. The current practice is to prearrange a group meeting with the placement director at the school, forwarding literature descriptive of the company and discussing the opportunity it affords the college man.

When the Firestone representative arrives, he talks to the assembled group for about 45 minutes, outlining the company's history, its activities and production facilities, and giving special consideration to promotional opportunities. At the close of this meeting, those interested remain and are given formal application blanks. When these are turned in, an examination of data indicates whether or not the recruiting man cares to talk further with the applicant.

If a man is a likely prospect, he is given certain aptitude tests, examinations, and further interviews. The more likely candidates are then sent to the company's nearest district offices in the

field, where they are interviewed and evaluated by the district manager. After two or three weeks, another home office representative interviews the most promising candidates from schools in a number of neighboring states. Written offers are sent immediately to those selected. Accepted candidates enter the firm's employ in July and follow a specific course of training for one year.

Firestone training for college graduates in the field of sales consists of the following:

Their first assignment is 18 weeks in a company-owned store selling home and auto supplies. During this period the trainee spends from one to three weeks in each of the various departments of the store. As he goes along, he is graded by the store manager on his efficiency in understanding and performing the various duties in each department. In addition, he is required to sell a reasonable quota of the products or service handled in the various departments.

Next, he spends four weeks at the home office, receiving classroom instruction. This course includes factory trips showing the trainee how the product is made. In addition, there are lectures by department heads on manufacturing processes, selling features, and merchandising methods.

A number of examinations are given the trainee during this four-week period. In addition, he is required to

keep a notebook covering the subject matter of the course.

Six weeks then follow at the district office. During this period the trainee devotes from one to two weeks to each district office activity. A written examination pertaining to the work of the various departments is given the employee on completion of this training period. In addition, the district office manager reports on the progress of the trainee.

Then come 13 weeks of working with the salesmen. During this period the graduate travels with the wholesale salesmen, observing and receiving instruction in methods of selling and serving the Firestone dealer. He travels with the retail-store commercial salesman, the farm tire salesman, and also works in a company-owned store in the capacity of assistant service manager, handling service sales to the many individual car-owner customers.

During the last three months of his year of training, the employee is given a definite selling assignment in a company-owned store. His sales accomplishments are carefully observed, and the conclusions reached form a basis for determining his first assignment after he has completed his year of training.

Firestone's experience has demonstrated that the college student training plan is eminently worthwhile. Today a good percentage of this company's home office sales personnel, regional sales managers, divisional field sales managers, and store managers has come from this group. In addition, the firm has built up a substantial backlog of young men who in a few years will qualify for important executive positions. BY LEONARD K. FIRESTONE. *Executives Service Bulletin*, Metropolitan Life Insurance Company, March, 1941, p. 7:2.

## Survey of Training Requirements

**D**URING the course of a joint study by the American Youth Commission and the United States Employment Service, employers in 18 industries were requested to state what they regarded as the minimum training requisites for successfully performing specified jobs. The replies were then checked by an analysis of the particular job and by conversations with foremen and workers concerning the training needed for each occupation.

The training required "to reach normal production on the job" is shown below for 2,216 occupations in the 18 industries. These data indicate that for 59 per cent of the occupations covered it was believed that workers could attain normal production in a week or less after they were assigned to jobs.

Training on the job required:

	Per cent of occupations
None .....	8.5
1 week or less.....	59.0
More than 1 week, but not more than 1 month.....	11.3
More than 1 month, but not more than 3 months.....	6.1
More than 3 months, but not more than 6 months.....	5.6
More than 6 months.....	9.6

—Monthly Labor Review 2/41

# Production Management

## The Age of Electrons

**C**HALLENGED by mountain-high defense orders and the certainty of sharper competition for world markets when peace returns, American industry may find its biggest ally in the smallest unit of matter—the electron.

Through the medium of electronic tubes—more familiarly known as radio tubes—electrons are now stepping up output and improving quality in widely varying production operations.

Welding, which looms large in the news today, has been improved, its field of application extended, by electronic controls. Their use on welding equipment is advancing by leaps and bounds. One manufacturer reveals that 50 per cent of his sales of electronic equipment is for welding machines.

Split-second timing of current on electric spot-welding machines, vital to successful welding of light-gauge metals, is made possible by electronic tubes. In welding certain metals, such as aluminum and stainless steel, the time during which electric current flows through them must be regulated precisely.

Most widely used electronic device is the phototube. Its best-known industrial applications are those where the tube is in the path of a beam of light which, either interrupted or established, stops or starts a flow of electrons—in other words, of electric cur-

rent which, amplified, actuates control mechanisms. Another general application of the phototube uses its reaction to variations in the amount of light falling on it. A third general use utilizes the tube's varying response to light from different parts of the spectrum.

The phototube's biggest advantage is speed—it counts with greater speed and accuracy than any other method. It counts beer cases and bottles in breweries; it tallies refrigerators, automobiles, radios and motors on the production line.

As a control device, the phototube regulates furnace temperature, levels elevators, checks weight of materials to be mixed or packaged, gauges the thickness of enamel coating on wire, sets the level of materials in tanks or bins. It controls cut-off saws, machinery speeds, hardening operations, viscosity of liquids, plant and highway lighting systems, bottle fillers, toothpaste filling machines, heat treatment of metals, the centering of watermarks for bonds, insurance or banknote paper. And it does all these things through its sensitivity to light, which in turn affects the stream of electrons.

Brown & Williamson Tobacco Co., in Louisville, Ky., recently installed photoelectric controls on doors in its shipping and receiving department. The company estimates savings of \$30 a day on operating costs, expects to



find substantial savings on heating bills as well.

In this plant, shipping and receiving departments are in action 24 hours a day. Six huge doors constantly open and close as loads of leaf tobacco come in, shipments of cigarettes and smoking tobacco go out. Before electronic control was installed, the doors were operated manually—which meant time wasted in opening and shutting them, plus time lost in signaling for the doors to be opened. The cost of heating the shipping and receiving rooms was high; the doors opened to the outer air, moved slowly in opening and closing, sometimes were left open because there wasn't time to operate them. Employees were exposed to uncomfortable variations in temperature.

With the new arrangement, loads of incoming or outgoing material approaching the doors cut light beams directed on phototubes. The motor-operated doors open quickly and automatically.

The phototube, plus auxiliary electronic equipment, speeds output and reduces rejects on machines which cut printed wrappers or bags. On such machines proper relation between the speed of the paper or cloth and the action of the cutting knife must be maintained, otherwise the knife would snip through the printing. Tiny spots placed on the edge of the material signal an electronic scanning device, which in turn relays a message to an electric motor, causing the cloth or paper passing through the machine to speed or slow down as needed.

In one plant, cement sacks bearing

a printed label are cut at the rate of 600 per minute. Spots marked on the edge of the material signal the electronic scanner every time the moving cloth creeps ahead of or behind the shear. Production has been boosted 200 per cent, rejects reduced to the vanishing point.

Another type of "register" control installed on a rotogravure press for the Philadelphia *Inquirer* is expected to cut waste by an amount that will liquidate its cost in less than a year. Accurate register of four colors is maintained at press speeds of approximately 1,000 feet per minute.

There are numerous possibilities for using the phototube to inspect, sort or grade products.

This amazing robot can be made to reject items automatically from the production line if they vary from predetermined standards of size or color, or if they are otherwise defective.

It will sort fruits and vegetables for color or defects, inspect sharpness of razor blades, measure the lustre of textiles, check ball bearings for size, inspect packages or bottles for missing labels, match colors of inks and papers, detect pinholes in metal strip or tubing, examine the contents of bottles and containers, caliper small parts in production.

In the manufacture of fabrics, dyed materials, and paint, the exact determination of color is often highly important. Likewise, in the production of pastes, powders, even coffee and some kinds of breakfast foods, color shades are tested carefully. The human eye



cannot begin to match the infallibility of the phototube in such work.

For certain inspection operations, the phototube may be used in conjunction with an optical system which focuses or enlarges the image or shadow of the product being checked. If the part is defective, the defect will cause variation in the amount of light falling on the phototube, thereby actuating a rejection mechanism.

For safety and alarm systems, phototubes are used in conjunction with an "invisible" beam of light. Applications include protection of railroad signal systems, elevator-door safety controls, boiler water-level alarms, and protection of machine operators.

Although industry's use of electronic devices is increasing rapidly, several

factors retard even more general acceptance of them. For one thing, initial cost of the electronic equipment for some installations may be high. Another factor is that the cost of engineering or designing a special application might be prohibitive. Lack of understanding in industry of what electronic tubes and auxiliary equipment can do has been suggested as another retarding factor.

But the impressive industrial achievements of electronic equipment point definitely toward a bright future for the electron. New uses are constantly coming to the fore—aimed at cutting cost of manufacturing, reducing spoilage, improving products, and releasing individuals for work on more productive operations. *Modern Industry*, April 15, 1941, p. 51:5.

### *The Trend of Production Costs*

THE principal cause of higher production costs in recent months has been rising raw material prices more frequently than increased labor charges. A substantial number of companies still report no change in labor costs, although a majority have experienced increases chiefly because of higher rates and larger overtime payments. More than 80 per cent of the companies participating in a Conference Board questionnaire survey noted an upward trend in production costs. In many instances, the rise is still slight, but an increasing number of producers noted significant advances. Some companies which had been able to offset material and labor cost advances partly or entirely through increased production can no longer do so as operations are at, or very near, capacity limits. A number of executives have noted a decrease in the efficiency of their labor force as a result of the hiring of many less experienced workers. Estimates of the extent of future increases vary, but 94 per cent of the respondents look for an upward trend in production costs during the coming months.

—The Conference Board Economic Record 4/10/41

### *Hourly Earnings in the Drug Industry*

MALE employees in the drug, medicine, and toilet preparations industry in May, 1940, earned an average of 65.9 cents an hour, female employees, 46.3 cents, and both sexes combined, 54.6 cents. Hourly earnings were highest in the midwestern region (57.4 cents) and lowest in the southern region (44.2 cents).

—Monthly Labor Review 4/41

## Shift Operation Under Defense Conditions

**A** STUDY of problems in shift operation covering 193 companies, mostly in metalworking industries, brings out the following points concerning present practice:

1. Only 35 of the 193 companies surveyed are now operating only five days a week. At least part of the plant is operating at least some time on Saturday in 82% of the companies, and some part of Sunday is worked in 28%.

2. Overtime work is very general. The amount of overtime in terms of plant operation ranges from less than 1% to 90%, with more than half the companies reporting from 10% to 30%.

3. In most multiple-shift plants, men are assigned more or less permanently to particular shifts. Efficiency is the most important factor in determining such assignments, but seniority plays an important part.

4. More than 60% of the reporting companies do not rotate shifts. Among those that do, weekly rotation is by far the most common frequency of rotation.

5. The same wage rates for all shifts are paid by 40% of the companies. Among the other 60% that pay a premium for night work, the most prevalent practice is to pay 5 cents or 5% additional for the night shift or shifts.

6. Practice varies considerably with regard to the length of the eating period, if any, during night shifts and whether or not this time should be paid for. Fifteen, twenty and thirty minutes are the most common lengths of night eating periods.

7. A total of 110 different shift schedules was reported, 63 for two shifts, 45 for three shifts, and two for four shifts. Eight hours predominates as the number of hours per shift, but particularly in two-shift plants 10 hours is common, and in two companies there are 13-hour night shifts.

8. Twenty-seven companies employ swing or relief shifts to permit operating the plant longer than the workweek of individual employees or crews.

*Studies in Personnel Policy No. 35, National Industrial Conference Board, Inc., May, 1941. 12 pages.*

## Vocational Training Going Up . . .

**E**NROLMENT in the nation's vocational education courses has reached an all-time high—2,000,000! Eight hundred cities have made their vocational, trade and industrial schools available for defense training, and of these, 300 have put their schools on a schedule of 24 hours a day, six days a week. At the same time, the government announces that 375,000 workers have already enrolled in vocational courses designed to help them regain their lost skills.

—*Vocational Trends* 5/41

# Marketing Management

## When Salesmen Are Drafted

**S**ALES managers countrywide are just beginning to feel the loss of sales force manpower brought about by the drafting of men for military service. Several special sales management problems have arisen in this connection.

What is the best source of manpower to fill these emergency jobs? What can be done with the man who does successfully fill another man's job when the draftee returns? What can be done to keep up the enthusiasm of a salesman who knows he is occupying a fill-in job? What should be done to compensate the drafted salesman for the difference between his army pay and the income he has been getting as a salesman?

From a selected list of sales managers, *Printers' Ink* has received answers to these questions. Drawing from the advice received from these experts, sales managers might well take the following steps to readjust their sales organizations to the new conditions imposed on business by the draft:

1. *If he has not already done so, the sales manager should first determine what salesmen are eligible for the draft and, in connection with those men who are eligible, at what time they will probably receive their call.*

2. *The second problem is that of determining the best source of temporary manpower. More than half of the ex-*

perts state they are using junior salesmen to replace draftees. This is the logical thing to do, and in those companies which have an established method of training salesmen from within it is axiomatic.

In selecting his source of manpower at this time, the sales manager must also consider the eligibility of the new man under the draft law. When he moves a young, unmarried junior salesman into a road job, he must bear in mind the fact that his new man may also be lost. In all probability the young man had been doing some very helpful work in the sales or sales promotion departments, and in some cases it may be advisable to put another man on in the home office to take his place.

The experts are practically unanimous in agreeing that when new men are taken on from outside for this purpose or as substitute salesmen they should be either over draft age or excused from service because of dependents. This may appear to penalize youngsters who are anxious to get a good start in business; but, as several of the sales managers point out, it can do a young man no harm to get his service in the armed forces over with before he goes into business.

3. *The sales manager must plan ahead as to what can be done with the man who does successfully fill another man's job when that man returns.*

Practically all the companies with something to say on this subject agreed that the problem would not be an impossible one. In every case, either because of the prescription of the Selective Service Act or because the men who have been with the company before their army term are invaluable, the companies will put salesmen who have been drafted back to work at the old stand or at one that is just as good.

The result will be that a new salesman who has made his mark in the interim will either retain the territory that has been assigned to him, while the drafted man who has come back is awarded another good territory; or the new salesman will be transferred to another important territory that needs bucking up. At all events, a shuffling of sales territories will be involved.

4. *The readjustment of sales territories* in an organization that has lost men to the army is a problem now and will be repeated when the draftees return. When a good man leaves—especially in the larger sales setups—a junior salesman cannot possibly be assigned directly to one of the more important sales territories. A general

shifting of men all along the line is required.

5. *The major factor in maintaining the morale of the salesmen* who replace draftees is their knowledge that they have a golden opportunity to make so good as salesmen that the management will keep them on in a good job.

6. *The problem of making up the difference in pay* between the army pay and that which a salesman has been getting is being solved usually by a bonus at the time he leaves for service. The most usual bonus is two weeks' pay. In the case of group insurance which the salesman may subscribe to, the company usually carries that for him in his absence.

Variations of adjusted pay to drafted salesmen include: one-half of salary during year of service for salesmen who work on a small salary plus commissions; difference in army pay and regular salary for a period of one month, and \$50 in cash upon return; four weeks' full salary; no salary adjustment.

BY CARROLL J. SWAN. *Printers' Ink*, March 21, 1941, p. 25:4.

### *Value of Past-Due Accounts*

THE National Retail Credit Association has published a report on chances of salvaging delinquent accounts in a number of lines of business. According to age groups, chances are as follows:

Over 60 days old.....	89 per cent
Over 6 months old.....	67 per cent
Over 1 year old.....	45 per cent
Over 2 years old.....	23 per cent
Over 3 years old.....	15 per cent

—Dartnell Sales Service

## What Is Sensible Service?

**O**F ALL the problems that beset management today, none commands more earnest attention than the rising costs of distribution. The trend did not develop recently; distribution costs have climbed steadily for years, and present conditions make it improbable that the basic causes can be eliminated.

Able management, however, has found ways to lighten the burden, chiefly by revising or discontinuing practices of dubious value. Old techniques have been found wasteful. This is especially true of free service.

The function of free service is, of course, to stimulate sales. Frequently it does, but the fact remains that free service has a way of getting out of hand.

The national defense program does not promise to simplify the problem. If anything, it will boost labor costs and deplete the supply of skilled workers.

Faced by these problems, executives are scrutinizing their service policies more carefully than ever. Their difficulty is to find means of curtailing service without sacrificing good will. They fear that unfavorable public reaction will put a brake on sales.

That fear was laid by the New York Telephone Company a dozen years ago. In New York City, a subscriber could learn the time of day simply by asking the operator, and many thousands did. The free calls became a serious prob-

lem. To discontinue the service might have meant antagonizing the public, but in 1938 the company took the gamble. Henceforth it charged for every time call.

If the company lost good will, it is not reflected in the number of time calls it handles today, for an average of 55,000 calls are now put through daily—and paid for.

Somewhat the same problem was faced by the Dictaphone company. As a convenience to executives who wished to prepare reports or clean up correspondence while traveling, it furnished dictating machines free in many cities for unlimited periods. And, since it was considered desirable to gain the good will of operators, typists were offered free training. In both cases, demand became excessive, and the company had either to meet the heavier costs or risk unfavorable reaction by curtailing the services. It chose the latter course. A time limit was placed on the use of courtesy machines, and a modest tuition fee was charged for the training. Neither step has impaired good will.

In food retailing, good will is considered vital, yet the self-service market has succeeded spectacularly by dispensing with many of the services once considered essential. It offers no counter service, no phone service, no charge accounts, and no free deliveries.

Some months ago, L. Bamberger & Company, leading department store in



Newark, N. J., hurdled several barriers that had balked other stores in their attempt to reduce some of their costlier services. The experiment is called a "cash-and-carry basement annex," but its name describes only two of the service problems it is solving. It does away entirely with the bother and expense of C.O.D. collections and of filling orders by phone and mail.

Delivery costs have been reduced in many ways. In recent years, the trend has been toward daily rather than twice-daily deliveries in metropolitan areas, and most stores now decline to make deliveries to distant points except on purchases above \$5. Free gift wrapping, which requires expensive boxes and paper and extra labor, has been discontinued by many stores.

Power utilities have been generous in the service rendered consumers. Until a few years ago, it was customary for the utility to exchange light bulbs free, at least in certain sizes. Virtu-

ally every company still replaces blown fuses for customers, and a great many repair electrical appliances, sometimes without charge for either labor or material. The theory, of course, is that appliances kept on the line are consuming current. Yet a company here and there has found a way to limit such service.

As consumption of current became general in their areas, most companies no longer felt required to supply free bulbs, and at present a national educational campaign is in swing to reduce the demand on utilities for replacement of blown fuses.

Most service policies have a sounder basis than some of these outlined, fortunately, and many have demonstrated their value as sales-builders. Yet closer study of the problem by numerous companies has indicated the need to reshape service policies to a more economical pattern. BY J. E. FORD. *Forbes*, May 1, 1941, p. 12:2.

### ***Cost-Plus Insurance for Army Work***

**A** NEW insurance rating plan for defense contracts has been adopted by the War Department which in effect provides for purchase of insurance on a cost-plus-a-fixed-fee basis.

According to officials, the new method will reduce the cost of insurance on government contracts in the future about 40 per cent. The new plan does not apply to fixed-price contracts but only to cost-plus contracts. Such contracts outstanding on March 31 had a total value of \$1,849,017, of which the insurance cost was in the neighborhood of 3 per cent.

The plan will be used in connection with the purchase of workmen's compensation, general public liability, and automobile liability and property damage insurance. It will permit the contractor to select the company with which he wishes to insure and a person, usually an agent, who will act as his insurance adviser. It will be employed by all supply divisions and services of the War Department and will apply to all new contracts as well as current contracts not too far advanced to render changes in insurance arrangements impracticable.

The new plan contemplates the payment of premiums for insurance on the basis of the actual loss experience developed by each risk.

—*The Wall Street Journal* 5/6/41



# *Financial Management*

## Practice in Accounting for Depreciation

A QUESTIONNAIRE survey of methods followed in accounting for depreciation on fixed assets was recently made among a group of N.A.C.A. members in industrial companies. Representatives of 245 companies filled in and returned the questionnaires. The replies received provide a good picture of current depreciation practice, particularly of the great variation prevailing in the handling of this important element of costs.

Nearly two-fifths of the reporting companies use unit rates for all or a major part of their assets; 25.7 per cent use composite rates for all or a major part of their assets; and 35 per cent use group rates for all or a major part of their assets. An interesting revelation is the extent to which a single type of rate is used, with 157 of the 234 companies which answered this question, or approximately two-thirds, reporting the use of a single type of rate (unit, composite or group) for all assets.

One question dealt with changes made since 1933 in the type of depreciation rate used. Of the 245 companies, only 33 report any change in type of rates used since 1933, which covers the period during which T. D. 4422 has been in effect.

Before T. D. 4422, unit, composite and group rates were used to about an

equal extent by the industrial corporations covered by this study. While the degree of change during the past seven years has not been great, the direction of the changes has been very definitely toward unit rates and away from composite rates.

The questionnaire sought some indication of the extent to which companies depreciate fixed assets on a production-volume or unit-of-activity basis in preference to the more common straight-line basis. Of the 245 companies, 18 reported that they made use of the production-volume basis in depreciating certain asset groups.

In recent years there have been frequent references to the growing practice of using depreciation rates for cost and internal accounting purposes which differ from those allowed for income-tax purposes. Of the 245 companies reporting, 61, or 24 per cent, state that they use rates for cost and internal accounting purposes which differ from those used for tax purposes, with four of the 61 stating that this applied to only a portion of their depreciable assets.

One hundred seven companies have experienced one or more reductions in depreciation rates since the issuance of T. D. 4422. Of these, 76 companies, or 71 per cent of the total, state that the reductions were the result of action by the Department of Internal

Revenue; 27 companies, or 25 per cent, that the reductions were the result of voluntary action by the company; and four companies either give no answer to the question, refer to mutual agreement, or state that some reductions were required and others voluntary. In contrast to the companies reporting decreases in rates, it is interesting to note that eight of the 12 companies reporting increases in rates during this period stated that the increase was a result of the voluntary action of the company.

Of the 245 respondents, 56 had experienced, at the time of answering the questionnaire, an increase in business sufficient to justify consideration of accelerated depreciation. Of the 56, eight had decided to accelerate their depreciation rates for certain types of assets, and 24 reported that the subject was still under consideration.

Members were asked whether assets in active use were removed from the books along with the offsetting reserve at the time they become fully depreciated, or whether the asset and reserve were continued on the books so long

as the asset was in active use. Current practice is greatly out of line with what we would expect. Companies using unit rates, where each asset is depreciated individually, remove fully depreciated assets from the accounts in only 27 per cent of the cases, while companies using composite rates, where it would seem that the asset value should be retained in the depreciation base, make removals in 42 per cent of the cases. There are indications, however, that this variance of practice from what we would normally expect may be due to errors in some cases in properly describing the type of rate used.

A final question related to the disposition made in the accounts of the profit or loss resulting from the scrapping, sale or other disposition of depreciable assets. Of the 245 companies, 204 reported that the profit or loss is treated as a current profit-and-loss charge or credit, 25 reported that the profit or loss is reflected directly in the balance sheet, 8 reported that practice varied, and 8 failed to answer this question. *N.A.C.A. Bulletin*, April 15, 1941, p. 947:17.

### *On the Record*

**B**ECAUSE of rising employment, a number of bee-busy personnel directors are discarding the familiar written questionnaire and personal interviews method of choosing applicants. Instead, the job-seeker is ushered into a soundproof room, seated in an easy chair, allowed five minutes to voice his attributes on a record. Two big advantages of vocal application are claimed: (1) The personnel director can listen to the applicant without interruptions. (2) The "interview" tests the applicant's ingenuity.

—*Forbes* 4/15/41

# Insurance

## Dangers in Self-Insurance

THE expense-conscious executive who has exhausted other sources of savings ultimately discovers the possibilities of self-insurance. But unfortunately many executives originate self-insurance programs with the carelessness and prodigality of breeding rabbits. They look covetously at insurance costs and decide to eliminate that item henceforth.

It is an inviting prospect. "The insurance company can make a profit on my insurance," the buyer reflects; "we can self-insure and keep that profit." The assumption is entirely erroneous, but it probably explains the origin of many self-insurance plans, complete or partial, now in existence.

A self-insurance plan must be regarded as an insurance company. Though a part of a manufacturing or distributing organization, the plan must be operated as a foreign instrument. As a separate unit, the self-insurance scheme must be based on actuarial findings. A prerequisite of the plan should be a thorough knowledge of the hazards for which the plan is designed.

This means that the probable frequency of loss and possible severity of loss from existing hazards must be noted and catalogued. The owner of a thousand delivery trucks, for example, could determine with reasonable accuracy the average number of

damage claims filed against him in one year. This would comprise the probable frequency of loss. Similarly, he could determine the average size of these claims or the probable severity of loss.

If he intends to self-insure, he must consider the maximum amount of loss which might result from accidents. He must determine the amount of judgment that might be awarded to one person injured in an accident and the total amount of judgments that might be awarded against the firm in any one year. Generally, the adaptability of self-insurance declines as the possible severity of loss in one accident or in the aggregate increases.

This actuarial data provides a basis for determining whether a self-insurance program would make any real contribution to profit. Nothing is gained by a firm that drops insurance because of the expense and then establishes a system of self-insurance which does not achieve appreciable economies.

Profit is not the sole consideration, of course. The self-insurance plan must also encompass an effective system of inspection and loss prevention, and provide security comparable to that of commercial insurance.

Self-insurance can be justified, according to its proponents, if the plan will operate as satisfactorily as com-

mercial insurance yet contribute to profit by:

- (a) elimination of commissions paid by insurance companies to agents;
- (b) more economical supervision of inspections, accident-prevention work, and administration;
- (c) maintenance of such a low loss ratio that commercial insurance carriers cannot allow a credit based on the experience of the individual firm.

If the plan is to operate as satisfactorily as commercial insurance, a saving from any of these sources is possible only when the total amount of risk is composed of many relatively small units—such as is the case in a firm employing 10,000 workmen, if self-insurance is to be applied to workmen's compensation, or a firm owning 1,000 small, scattered buildings, if self-insurance of fire risks is considered.

A self-insurance plan assuming the fire insurance of four \$25,000 buildings would be constantly threatened because the loss of one building, 25 per cent of the total insured, would amount to a conflagration loss. A plan insuring one hundred \$1,000 buildings would have greater chance of success.

Insufficient diversification of risks was responsible for the failure of a self-insurance plan operated some years ago by a large public utility. The plan had been in operation far beyond the experimental period when an explosion caused nearly 30 deaths, injuries to more than a hundred persons, and sev-

eral million dollars of property damage. The insurance reserve was insufficient for such a catastrophe, and a levy on the general funds of the corporation was necessary.

Assuming that risks are sufficiently diversified to permit the substitution of self-insurance for commercial insurance, the self-insurer must then provide inspection and legal service comparable to that of the commercial carrier.

This service requirement practically prohibits self-insurance of some hazards. Boilers, for example, usually are not self-insurable, partly because of insufficient diversification of risk but also because of inadequate inspection service.

Probably the most difficult requirement for a self-insurer is that of an adequate reserve for losses. If the plan is to be something more than an excuse for not buying commercial insurance, a liquid reserve must be established exclusively for the settlement of losses. That reserve must be sufficiently large to permit payment at any time of damage claims or replacement of destroyed property.

The foregoing may have indicated the need for an insurance manager to supervise the plan and to buy proper insurance coverages for hazards which are to be insured with commercial carriers. This insurance manager would necessarily be a man of long and varied insurance experience. He would be required to know something of actuarial data, underwriting, reserves, inspection service, legal service, and other

features of insurance. In addition, he would need a thorough knowledge of all lines of casualty and property insurance.

These requirements would eliminate the majority of business firms. For them, self-insurance is an extravagant luxury serving no useful purpose, since commercial insurance can supply protection and various services at a cost far lower than could the individual firms themselves.

The great corporations are more fortunate than smaller firms. If companies such as Chrysler, General Motors or du Pont institute self-insurance programs, trade creditors and bankers are inclined to regard the plan as

another innovation similar to those which have contributed to the growth of the firm; this is the privilege of greatness. But even large self-insurers generally purchase excess insurance to protect the self-insurance fund against catastrophes.

The final blow to self-insurance is taxes. Funds paid into a self-insurance reserve from earnings are regarded as profit and may not be deducted as operating costs. With Federal, corporate and excess-profits taxes ranging from 21 to 62 per cent, it is very doubtful that self-insurance could be a profitable venture in most organizations. BY JOHN E. BEAHN. *Credit and Financial Management*, May, 1941, p. 16:4.

### *Defense Against Sabotage*

THE principal measures to be taken in protecting a plant or other vulnerable point against sabotage, according to the Civil Security Branch of the Royal Canadian Mounted Police, are:

- a. Adequate fencing of property with industrial type of fencing, together with floodlighting when this is at all possible.
- b. Admission of employees and visitors through a single entrance, and careful checking on their entrance and exit.
- c. A system of passes for plant visitors, to be issued by a competent authority and to be taken up when the visitor leaves the premises.
- d. Identification cards for all employees, bearing the subject's photograph and fingerprint.
- e. Inspection of trucks and other vehicles seeking entry upon the property.
- f. Inspection of all raw materials and supplies received into the premises.
- g. Thorough and frequent inspection of all fire-fighting equipment, including sprinkler systems and water-supply inlets.
- h. Organization of a volunteer fire brigade within the plant itself.
- i. Screening of windows through which any bomb or incendiary material could be thrown.
- j. Discouraging the parking of cars and other vehicles close to buildings.
- k. The proper checking of all employees.
- l. Organization of a plant police force or guard unit under the supervision of the plant security officer, the number of guards depending on size and location of the plant and the nature of the industry.

—*Purchasing* 4/41



# *The Management Question Box*

## **Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.**

*Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.*

### **Introducing Tests for Salesmen**

**Question:** We are considering the use of tests in the selection of our salesmen and should like to know how to initiate a test program. What has the experience of other concerns been?

**Answer:** The AMA Research and Information Bureau has received so many inquiries in the past year regarding the use of tests for the selection of salesmen that a survey on the subject seemed warranted. Of 176 companies responding to our questionnaire, 44 reported the use of tests for this purpose. This is not by any means a "Gallup poll" for industry on the subject, since the list of companies investigated was carefully compiled to include all those which were known or thought likely to use tests.

The test programs of 14 of these 44 concerns were only lately initiated and are still in the experimental stage, but several organizations which have developed test techniques over a period of years had significant results to report. All of this latter group warned against a tendency that has been noted recently to regard tests as a panacea. They state that there is no short cut to take the place of a well-rounded program of interviewing and training; however, as a supplement to such a program, psychological tests can, they believe, be used to improve the selection procedure. Equally important are such aids as standardized application forms, detailed job specification sheets, scored personal history ratings, planned diagnostic interviews, interviewers' rating scales, and systematic checking of the applicants' references and past history.

The significance of tests in the employment program of individual companies varies, of course, with the entire selection procedure as well as with the stage of development of the testing techniques.

In deciding whether the use of tests would be advantageous in a particular instance, it is advisable to consult the writings of industrial psychologists

which indicate the potentialities of this field. An especially good recent set of papers on the subject appears in *The Journal of Applied Psychology* for February, 1941 (obtainable from the Editor, James P. Porter, Ohio University, Athens, Ohio—single numbers, \$1.25 to \$2.00, depending on the number of pages).

A study entitled "Trends in Selection for Employment" (PERSONNEL, May, 1939), by Dr. Marion A. Bills, psychologist for the Aetna Life Insurance Company, provides good background material on the use of tests for selection of employees in general. The same issue of PERSONNEL carries an article by Dr. Arthur W. Kornhauser and R. N. McMurry of The Psychological Corporation describing a program for selection of salesmen designed for a company in the manufacturing field.

A session on the use of tests for the selection of salesmen at the AMA Marketing Conference, April 22, 1941, included a description of the experience of the Tremco Manufacturing Company by its president, W. C. Treuhart, and its psychologist, Dr. O. A. Ohmann, and a discussion of the latest developments in this field of testing by Dr. Morris S. Viteles, of the Philadelphia Electric Company and the University of Pennsylvania. Dr. Marion Bills also described some tests that have failed. These papers will be published in the AMA Marketing Series and will be distributed automatically to all members of the AMA Marketing Division.

A summary of the procedure established by companies with the most successful experience in testing was presented at the September, 1940, meeting of the American Association for Applied Psychology in a paper by Dr. A. W. Kornhauser, University of Chicago, and Dr. Richard S. Schultz, The Psychological Corporation:

1. Tests are carefully selected or especially designed for the company after a study of the job and its modifying conditions affecting success or failure.
2. Precise studies are made of measures of success as a basis for evaluating the effect of selection instruments.
3. Each selection procedure is tried out, carefully analyzed, and evaluated by reference to the criteria of success.
4. The effective procedures are then combined into a practical selection program for further check and improvement prior to final adoption.
5. Periodic and continuous studies are instituted to check, improve and adapt the selection methods as conditions change.

NOTE: *The AMA survey on tests and scored history ratings for the selection of salesmen will be published in June and will be distributed automatically to all official representatives of AMA company members and to the representatives of company members in the Marketing and Personnel Divisions.*

## Vacation Pay for Discharged Employees?

**Question:** What is recommended practice respecting payment of vacation money to workers who leave a company's employment at the time the vacation would have been due them?

**Answer:** Variations in the provisions of vacation plans are so numerous that it is difficult to generalize on a matter of this kind, since any specific regulation should be considered in the frame of the whole plan. Moreover, this particular question resurrects the old controversy as to whether a vacation is a reward earned by an employee for past service or is a feature of the health program of a company instituted for its presumed beneficial effect on future service.

The latter was probably the prevailing philosophy in the days when the paid vacation was not so general as it has recently become, but it still seems to be rather widely subscribed to. A summary of vacation provisions in union contracts in the *Monthly Labor Review*, November, 1940, has this to say: "The case of the employee who becomes separated from his employment prior to his vacation period is taken up in many agreements. In some, an employee who resigns or is discharged for cause loses all accumulated vacation rights. In other agreements such an employee is given a proportionate share of his expected vacation pay in lieu of a vacation."

A similar lack of agreement is discerned in a collection of vacation plans in defense industries published last month by the National Industrial Conference Board. Of 14 plans, six provide for payment of vacation money if the employee is laid off by the company when eligible for a vacation; one company provides vacation pay if the employee resigns, one if the employee is laid off or discharged, and two if he is laid off or discharged or resigns. The fact that some companies grant vacation pay to employees discharged for cause would seem to indicate a trend toward regarding vacation pay as an emolument earned by past service. This practice, however, would appear to be still relatively uncommon.

An interesting sidelight on this question is shown by the provision in one vacation plan that an employee forfeits vacation pay if he quits without giving seven days' notice and in another if he quits "when needed."

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► WITH A SHORTAGE of skilled labor on one hand, and growing defense orders on the other, many companies are wondering how they'll be able to give workers a vacation this year. Caterpillar Tractor has hit upon a solution that is meeting with the approval of its 13,000 workers: no vacation, but double pay for a two-week period (in August).

—Forbes 5/1/41

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## *Survey of Books for Executives*

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**Middle Management: The Job of the Junior Administrator.** By M. C. H. Niles. Harper & Brothers, New York, 1941. 270 pages. \$3.00.

This is a timely book for, rather than about, middle management. Middle management appears to have escaped the attention of our best political minds. It needs to be learned that the predilections, abilities and limitations of junior executives, rather than those of seniors, govern and restrict in many respects the capacities of organizations and are a primary aspect of labor problems. Moreover, major functions of top management are to help middle management to manage, and to make it capable of so doing under conditions now difficult.

The purpose of the book could best be conveyed by such a title as: "How to Behave as a Junior Executive and Why." It achieves this purpose with great success, due to the simplicity of its style, its profusion of apposite illustrations from real life, its avoidance of extreme generalizations, and its constant emphasis upon plain common sense in reconciling the conflicting elements of concrete situations. Though the book presents almost no generalized theory and only segmentary descrip-

tions of organization and practice, it is written with an adequate comprehension of the theory of organization and an observant experience with practice—and people. Consequently the treatment is not merely of passing practical usefulness but of sound permanent value. This might be missed on hasty reading because the book is so simply written that it might appear to be an ordinary collection of bromides and sentimental half-truths. Moreover, because its primary emphasis is upon the personnel aspects of management, as it should be, it might be mistaken on a "thumbing through" as a routine effort of some personnel professional promoting the profession rather than the personnel. The book in fact is about management and is written from the point of view of management.

The quality of soundness makes the book of wider application than its immediate purpose implies—its doctrine is appropriate for foremen and senior executives, and for the shop as well as for the office. In short, it can be read to advantage by executives of any rank or type. I would prescribe it at least once a year for the junior executive, with extra readings on promotion (or demotion). Senior executives should

be required to read Chapter V ("Junior Officer and Superior") at least once every three years, lest they forget.

Regarded as a book of advice to junior administrators actually on the job, it contains little to criticize. Since it of course does not cover the technical and technological aspects of management (except for references incidental to office management, clerical operations and practice in life insurance), this leads to some lack of comprehensiveness. Also, the treatment of the staff expert, the staff assistant, and the staff department has insufficient foundation. The repeated emphasis upon the wide differences between large and small organizations, as respects management conditions, I regard as superficial. These criticisms are stated, however, as a concession to the conventional role of the reviewer parading his superiority by pointing out real and imaginary flaws. I dislike the practice, whether applied to books or men. The fact is that this book deserves readers who will work with it critically enough to profit by finding the faults for themselves—high recommendation for either book or man.

*Reviewed by Chester I. Barnard,  
President, New Jersey Bell Telephone  
Company.*

**Labor and National Defense.** The Twentieth Century Fund, New York, 1941. 130 pages. \$1.00.

The Twentieth Century Fund offers here the findings of an emergency survey of labor needs, labor supply,

and labor problems under America's armament program. The factual findings and analysis were prepared by a special research staff headed by Lloyd G. Reynolds. In accordance with Fund procedure, the findings were reviewed by an impartial committee of distinguished authorities who have made a series of recommendations for public policy.

One basic finding of the survey, underlined both by the research facts and the recommendations of the Fund's Labor Committee, is that voluntary mediation, rather than legal compulsion, points the way to industrial peace under America's defense program. The research staff brings forth facts to show that when democratic countries have tried to prohibit strikes by law or to enforce compulsory arbitration, such laws have proved unenforceable and therefore unsuccessful in preventing strikes.

Other figures assembled by the research staff indicate that the demand for labor in the defense industries will certainly exceed the number of unemployed now in the labor market. By the time the armament program reaches its peak, new workers will have to be drawn into the labor market—largely women and surplus agricultural labor.

The Labor Committee sets forth its general attitude toward labor problems under the armament program in these terms: "Any refusal at this time by any employer to accord to labor the full rights of self-organization and collective bargaining stipulated in the National Labor Relations Act is a



dangerous threat to defense production. On the part of labor there is, for the same reasons, a clear obligation to seek the legal remedy in preference to direct action, when confronted with unfair labor practices prohibited by the Act."

As a means of avoiding labor disputes leading to work stoppages, three specific measures are recommended by the Labor Committee: formation of management-worker committees in all defense industries, with a similarly constituted National Defense Labor Policy Committee to act as supervisor; establishment of a Federal Emergency Mediation Board to supplement existing agencies (a recommendation already carried out); inclusion by voluntary action of clauses in all collective-bargaining agreements to provide for mediation and, if possible, for a "cooling off" period before strikes or lockouts.

Other measures recommended by the Committee include upholding all existing labor standards established by law "unless clear necessity" exists for their modification; granting draft deferment to skilled workers needed in vital defense industries; extension and improvement of the United States Employment Service; effective measures to prevent any sharp rise in the cost of living during the defense period; and forward planning to meet the crisis that will occur when defense production ends. The Committee vigorously opposes any attempt to prevent strikes by law, and condemns competitive bidding for workers in the defense industries.

## The Art of Practical Thinking.

By Richard Weil, Jr. Simon and Schuster, New York, 1940. 263 pages. \$2.00.

It is not often that a prominent business executive finds the time or has the inclination to write a book, especially in a field not directly connected with the one in which he earns his living. Mr. Richard Weil, Jr., president of the nationally known L. Bamberger and Co. department store in Newark, New Jersey, has done just this in "The Art of Practical Thinking," which he subtitles quite aptly: "An informal discussion for the intelligent layman, with examples taken mainly from the field of business."

This rather brief volume is divided into three parts, respectively devoted to the *act*, the *art*, and the *end* of thinking. In the first section, the author defines thinking, and traces briefly the history of thought. In considering the act of thinking, Mr. Weil describes at length what he terms the "instruments of thinking"—among them being intuition and formal logic—and sets up a list of general rules for better thinking based upon the means or methods of thought we have at our disposal. The final part of the book shows the practical application of the theory presented previously. For purposes of illustration, the author takes the business organization with which he is best acquainted, the department store, as an example; and he reviews typical problems faced in five major phases of its business, including personnel, publicity, and financial control. All

these could appropriately be considered in relation to any of a number of other businesses.

"The Art of Practical Thinking" has several distinctions which commend it to the executive as useful reading. First of all, it summarizes in very readable form much of the best of the philosophy of thinking from the great Greek thinkers to the present day—material of which we have frequently heard but seldom have actually gotten around to reading. It is quite possible that in this, as in other brief surveys of a broad field of knowledge, scholars may find fault with the author's condensations or omissions. Yet Mr. Weil makes no pretense of including more than a short review of the high points; he is to be thanked for presenting in simple language information which otherwise could be acquired only through considerably greater effort, and which could well serve as a background and incentive for further study in this field.

Secondly, and of great significance, the author relates theory to practice by offering examples of the application of the processes of thought to practical business situations. Instead of asserting that knowing how to think is essential *per se*, Mr. Weil shows exactly how the process of thought can be applied. He debunks the age-old and highly popular statement, "I'm not much on theory, but give me a job to do and I'll do it," by showing how dependent we are on theories, whether or not we recognize them as such, and how interdependent theory and practice really are.

Finally, in writing this book, Mr. Weil has demonstrated that even the busiest executives can find time for a hobby. His investigation of the art of thinking has led him into many byways in his leisure time. The fact that his study has brought him so much enjoyment and benefit that he has seen fit to write a book about it should prove an incentive for the pursuit of a worthwhile hobby to the many business men who feel that their work is all they have time for.

The author of "The Art of Practical Thinking" seems to feel it necessary frequently to justify his having written the book, although the material he has included hardly requires an apology. This book is to be commended as a stimulating analysis of our thinking processes, and will repay many times over the few hours needed to read it.

*Reviewed by Donald K. Beckley,  
Rochester Athenaeum and Mechanics  
Institute.*

**Marketing Policies.** By Hugh E. Agnew and Dale Houghton. McGraw-Hill Book Company, Inc., New York, 1941. 615 pages. \$4.00.

Marketing is a subject which has customarily been presented in statistical style with an explanation of underlying principles. Yet, from the viewpoint of the business man, "how" and "why" are much more important than a description of the marketing structure. Professors Agnew and Houghton have here made a sincere attempt to approach this difficult subject realistic-

ally and scientifically; as a result, their study is a distinct contribution to the literature of distribution. Each common problem of marketing has been handled in a separate chapter. The analyses which are presented are thus in particularly useful form.

"Even at this late date, a large number of the leaders in business think that the only way for a young man to learn a business is to 'begin at the bottom and work up.' If the same method were to be applied to the professions, doctors, dentists, lawyers and architects would have no formal training, but would each go out and by working with another man—who had developed similarly—discover the whole field by and for himself. Instead, the medical student has the accumulated experience of all the leading physicians and surgeons who have preceded him. These are accurately reported, printed, and indexed for his development." The authors believe that marketing today is similarly a field for experts and requires a basic knowledge prior to experience. "The aim is not so much to review common practices as to analyze and evaluate the fundamental procedures, so that those which are most serviceable may be recognized and preserved, and those that are unscientific and uneconomic, recognized and discarded. We believe that it is possible now to point out the enduring from the passing." The purpose of the book is to furnish the business executive with a summary of the best marketing practice as it exists today.

Many distributive problems are analyzed. These include product and market analysis, consumer research methods, policies in handling distributors and wholesalers, goodwill protection, private brands and private-brand competition, price policies under the new laws, advertising and packaging, the use of premiums, forecasting and budgeting, industrial marketing, public relations and the consumer movement, barriers to interstate trade, and current continuing services. Each topic of this broad range is accorded separate treatment, with many case illustrations from the experience of specific companies. Each chapter contains a brief but substantial bibliography. To the busy executive who must bring himself up to date quickly, this book will be most useful. Actually, it more nearly approximates an engineering handbook than any other volume in the marketing field.

Although the relation of sales management and taxation, among other subjects, deserves more thorough treatment than has been given it, the book offers an excellent starting point for the individual with general business background who requires knowledge of current marketing practices. The authors do not attempt to give definitive answers to the many problems of marketing, but they do present factual background upon which sound decisions can be made through outlined techniques. To management, this should prove a very helpful presentation.

*Reviewed by Albert Haring, Professor of Marketing, Indiana University.*

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## *Briefer Book Notes*

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**MONETARY MANAGEMENT UNDER THE NEW DEAL.** By Arthur Whipple Crawford. American Council on Public Affairs, Washington, D. C., 1940. 382 pages. Cloth, \$3.75; paper, \$3.25. Presents a broad picture of monetary developments under the New Deal. The evolution of the managed currency system is traced from the period just prior to the Roosevelt administration; the problems arising in its operation are surveyed; the results are appraised, and the outlook for the future explored.

**SALES TRAINING PRACTICES.** The Dartnell Corporation, Chicago. Loose-leaf, in leatherette binder. \$11.85. This Dartnell survey presents the experiences of 1,200 concerns in training salesmen, together with reproductions of charts, manuals and other training material. Includes sections on group sales training, field coaching, preparation of training material, time management, checkup systems and control methods.

**JOB EVALUATION.** By R. H. Rositzke. R. H. Rositzke and Associates, 36 West 44th Street, New York, N. Y. 13 pages. 25 cents. A concise but thorough outline of job evaluation in all its ramifications. Explores various byways of the subject (such as the interrelations of job definitions and specifications with promotion sequence, training programs, and other factors of industrial relations) and presents some valuable forms and charts. This was an address delivered at the recent annual meeting of the Technical Association of the Pulp and Paper Industry.

**CONCERNING THE THEORY OF MODERN PRICE SYSTEMS AND RELATED MATTERS.** By Chester I. Barnard. 32 pages. (Available from the author, at the New Jersey Bell Telephone Company, 540 Broad Street, Newark, N. J.) In the form of a letter to his daughter, Mr. Barnard offers here a penetrating study of some aspects of price-making and the uses of cost information. This paper is notable in that it presents some new considerations in the economics of prices, specifically concerning the nature of price units and two little noticed functions of price schedules.

**MANAGEMENT TRADING.** By Frank P. Smith. Published for the University of Rochester by Yale University Press, New Haven, Conn., 1941. 146 pages. \$2.50. This study is an attempt to view in its proper perspective the stock trading transacted by corporate insiders. The author analyzes the major arguments advanced in support of greater freedom for insider trading; outlines some of the practices of insiders; and discusses the provisions of the Securities Exchange Act designed to restrict such practices. He presents data on stockholdings of corporate insiders, and with this information for a background forms his final judgment of the trading of corporate insiders and its relation to stock-price movements.

**FIELD WAREHOUSING AS A FACILITY FOR LENDING AGAINST COMMODITIES.** By Wesley J. Schneider. The Macmillan Company, New York, 1941. 85 pages. \$1.00. Presents a complete and realistic picture of field-warehouse lending from the viewpoint of banking. Specifically, the author shows how warehouse receipt financing is advantageous to both borrower and lender; outlines warehouse practices; and considers various types of insurance.